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| | 2ND. QUARTER | |
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INTERIM REPORT

FOR THE SIX MONTHS ENDED
JUNE 30, 1976

BEAVER ENGINEERING LIMITED
70 QUEEN ELIZABETH BLVD.
TORONTO, ONTARIO M8Z 1M4

To Our Shareholders:

Significant progress is shown in operating results for the first six months of 1976 compared with the prior year. It is interesting to note that in last year's six month statement, we referred to organizational changes being made that would benefit future operations. This reorganization, together with some additional changes at 1975 year end have both contributed to some of these improvements.

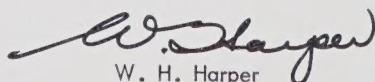
Effective after the close of business on June 30, 1976, Beaver Engineering Limited concluded the cash purchase of a 50% interest in Refrigeration Installations Limited in Saskatoon, and Refrigeration Installations (Regina) Limited in Regina. These continuing "joint venture" operations will broaden the services available to Beaver customers in Saskatchewan and will provide more engineering contracting capabilities to increase the Saskatchewan companies' facilities to more completely serve their customers. These transactions and Beaver's interest in the future results of these operations will be included in subsequent financial reports.

Our Air Conditioning, Wholesale and Custom Manufacturing divisions have been performing very well in a rather unusual market. Industrial type applications are more than replacing the fall off that has been general in commercial projects. The more exacting the requirements and the more demanding and discriminating the buyer in his search for performance and perfection, the better are Beaver's opportunities to be chosen to fill his needs.

Orders booked and backlog remain high, and our projection to the end of 1976 is that we will produce net after tax consolidated earnings approximating \$1.00 per share on sales of over \$15,000,000.

Since part of Beaver's activities are in construction, it is a controlled company under the Anti Inflation Board regulations. We have already begun filing information. However, the regulations and supplementary instructions governing the construction industry do not yet appear to be final. It is our belief that using the base periods applicable and with our increased volume we will be permitted to perform according to our budget without exceeding the profit guidelines.

Yours very truly,
BEAVER ENGINEERING LIMITED



W. H. Harper
President

July 29, 1976

BEAVER ENGINEERING LIMITED
CONSOLIDATED STATEMENT OF EARNINGS AND
CHANGES IN WORKING CAPITAL (unaudited)

For the Six Months ended June 30, 1976 1975

| | | |
|---|------------------|------------------|
| Sales | \$8,462,425 | \$6,121,560 |
| Cost of Sales and Operating Expenses - exclusive of the items listed below: | 7,876,069 | 5,809,469 |
| Depreciation & amortization | 81,678 | 69,153 |
| Interest on long-term debt | — | 242 |
| | <u>7,957,747</u> | <u>5,878,864</u> |
| Operating Profit | 504,678 | 242,696 |
| Other Income | 25,716 | 22,820 |
| Earnings for the period before taxes | 530,394 | 265,516 |
| Provision for income taxes | <u>265,197</u> | <u>132,758</u> |
| Net earnings from operations, after taxes (before extraordinary item) | \$ 265,197 | \$ 132,758 |
| Earnings per share from operations | 44.0¢ | 22.1¢ |

The comparative figures shown above deal only with earnings from operations and do not include the extraordinary gain made in the first quarter of 1975 from the sale of land and building which resulted in a gain of \$331,000 or 55¢ per share. No extraordinary item has occurred this year.

Source of Working Capital

From Operations

| | | |
|--|----------------|------------------|
| Net earnings before extraordinary item | \$ 265,197 | \$ 132,758 |
| Depreciation & amortization | 81,678 | 69,153 |
| Sales of fixed assets | 14,525 | 1,058,148 |
| | <u>361,400</u> | <u>1,260,059</u> |

Use of Working Capital

| | | |
|------------------------------------|--------------------|--------------------|
| Purchases of fixed assets | 145,968 | 149,308 |
| Debt repayment | — | 147,617 |
| Dividends, including taxes thereon | 60,215 | 60,201 |
| | <u>206,183</u> | <u>357,126</u> |
| Increase in working capital | \$ 155,217 | \$ 902,933 |
| Working Capital at June 30 | <u>\$3,164,783</u> | <u>\$3,017,933</u> |